

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, SEPTEMBER 9, 2008**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 9, 2008, commencing at 7:01 a.m.

Present: Mayor Pro Tempore Hansen, Council Member Hitchcock, Council Member Katzakian, and Mayor Mounce

Absent: Council Member Johnson

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Fourth Quarter Fiscal Year 2007-08 Water, Wastewater, and Electric Utility Department Financial Reports (PW/EUD)

Electric Utility Director George Morrow provided a PowerPoint presentation regarding the fiscal year 2008 quarterly update through June 30, 2008. Specific topics of discussion included an overview of power costs and reserves, fiscal year 2008 financial results, operating expenditures, power supply, power sales, billing statistics, Energy Cost Adjustment (ECA) revenue, Northern California Power Agency general operating reserve, fiscal year 2009 open position, cash balance, and summary.

In response to Council Member Hitchcock, Mr. Morrow stated the cost for the total development of the new Lodi Project was approximately \$25 million, of which approximately \$12 million was used for Phase 2A and engineering and acquisition of the emission reduction credits.

In response to Mayor Pro Tempore Hansen, Mr. King stated the City was not allowed to use the previous bond proceeds for the project because that money needed to be expended within a certain period of time.

In response to Council Member Hitchcock, Mr. King stated the 1999 bond was very broad on what it could be spent on and in order to keep the market from being flooded, the monies had to be spent in a certain time period.

In response to Council Member Hitchcock, Mr. King stated there is no money left from the bond proceeds because it was used to buy out some of the variable rate debt obligation.

In response to Council Member Hitchcock, Mr. Morrow stated when Council is reviewing base rates, that might be a good time to look at the ECA to ensure it is covering the cost of energy. Mr. Morrow stated the ECA or the base rate could be adjusted at that time as necessary or if Council wishes a mechanism could be adopted to automatically adjust once the ECA hits a certain level.

Water Services Manager Charlie Swimley provided a PowerPoint presentation regarding the water and wastewater quarterly update. Specific topics of discussion included wastewater operating results, wastewater fund cash flow summary for operations, wastewater funds cash balances, water operating results, water fund financial results cash flow summary, water fund cash balance, and water and wastewater utility accomplishments.

In response to Mayor Mounce, Mr. Swimley stated the latest project was Project No. 4 to improve some lines on the east side for which the bid was rejected because it was well over the estimate. Mr. Swimley stated staff is trying to obtain a more attractive bid package with a larger sized project which does not present as much difficulty as smaller projects for bidding; although, construction management in house of a larger project may be a concern.

In response to Council Member Hitchcock, Mr. Swimley confirmed that the bottom line does indicate operating in the red.

In response to Council Member Katzakian, Mr. King stated the cost of repairing the transmission line came out of the bond proceeds and the cost of the transmission line improvements was not incorporated in the rate model.

In response to Council Member Hitchcock, Mr. King stated they wanted to avoid a situation where there was reliance on one-time money to break even because that is not a sustainable practice. He stated there is not enough revenue collected to match the operating expenditures, which is why the matter is being brought to the Council's attention.

In response to Mayor Mounce, Public Works Director Wally Sandelin stated the last rate increase was about three years ago and the current situation was anticipated in the rate model. Mr. Sandelin stated they are in the process of reviewing options and competing considerations include cash flow and transfers.

In response to Council Member Hitchcock, Mr. Swimley stated about \$15 million accounts for PCE/TCE matters.

In response to Mayor Mounce, Mr. Sandelin stated staff will be coming back to Council in November to review PCE/TCE line items and the accounting of the same.

In response to Myrna Wetzel, Mr. Swimley stated information regarding commodity and service costs for water meter installation will likely be available to the public in late summer. Mr. King stated staff is in the process of collecting statistics to establish underlying rates based on consumption.

In response to Mayor Mounce, Mr. Sandelin stated staff will likely be coming back to Council in November or December with several options for funding water meter installations for residents.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:56 a.m.

ATTEST:

Randi Johl
City Clerk

B-1



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Fourth Quarter Fiscal Year 07/08 Water, Wastewater and Electric Utility Department Financial Reports

MEETING DATE: September 9, 2008

PREPARED BY: Public Works and Electric Utility Directors

RECOMMENDED ACTION: Receive fourth quarter fiscal year utility financial reports.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Water, Wastewater, and Electric Utilities. Highlights of the operations and financial performance of each utility will be presented at the meeting of September 9, 2008.

Attached are the graphics and illustrations that will be presented and discussed.

FISCAL IMPACT: None directly related to the preparation of the report. However, the presentation is intended to keep the Council apprised of the financial conditions of the major municipal utilities.


F. Wally Sandelin
Public Works Director


George Morrow
Electric Utility Director

APPROVED: 
Blair King, City Manager



Public Works Department Water/Wastewater Quarterly Update

(Based on Preliminary, Unaudited FY 07/08 End of Year Reports)

Shirtsleeve

September 9, 2008

Wastewater Operating Results

(Ending June 30, 2008)

	FY 07/08 Budget	FY 07/08 Actual	% of Budget
Personnel	2,991,129	2,833,595	95 %
Supplies, Materials, Services	996,226	1,245,899	125%
Equipment, Land, Structures	61,200	55,680	91%
Other Payments	201,870	168,222	83%
Communication & Transportation	801,465	798,654	99%
Work for Others	36,460	0	0%
Total Operating Expenses	5,088,350	5,102,050	100%

Wastewater Fund
Cash Flow Summary
Operations
(Ending June 30, 2008)

	FY 07/08 Actual
Revenue	
Sales	6,622,120
Other (interest, rent, septic, misc.)	1,155,766
Total Revenues	7,777,886
Expenses	
Operating	5,102,050
Debt Service	3,202,605
Cost of Services Payment To General Fund	1,404,661
Total Expenses	9,709,316
Net Decrease in Undesignated Reserves	(1,931,430)

Wastewater Funds

Cash Balances

(Ending June 30, 2008)

	FY 07/08 Actual
Operating (170)	(8,047,274)
Utility Capital / Infrastructure Replacement (171) (\$14,379,643 collected for Infrastructure Replacement)	14,466,841
Capital Reserve (172) (Fund used to pay White Slough COP Debt Service)	(8,615,688)
Capital Reserve Restricted Assets (172) (White Slough COP Remaining Proceeds)	12,538,088
IMF (173) (\$5,800,208 collected for Flag City) (\$3,162,385 dedicated for White Slough COP Debt Service)	8,962,593
Total	19,304,560

Water

Operating Results

(Ending June 30, 2008)

	FY 07/08 Budget	FY 07/08 Actual	% of Budget
Personnel	1,180,697	1,118,698	95%
Supplies, Materials, Services	519,960	525,176	101%
Equipment, Land, Structures	3,500	2,698	77%
Other Payments	1,467,630	1,459,173	99%
Communication & Transportation	878,540	779,845	89%
Work for Others	120,000	316,117	263%
Total Operating Expenses	4,170,327	4,201,707	101%

Water Fund

Financial Results

Cash Flow Summary

(Ending June 30, 2008)

	FY 07/08 Actual
Revenue	
Sales	6,349,290
Other (interest, rent, misc.)	1,075,496
Total Revenues	7,424,786
Expenses	
Operating	4,201,707
Debt Service	62,676
Cost of Services Payment To General Fund	1,036,399
Total Expenses	5,300,782
Net Increase in Undesignated Reserves	2,124,004

Water Funds Cash Balances

(Ending June 30, 2008)

	FY 07/08 Actual
Operating (180)	(7,468,042)
Utility Capital / Infrastructure Replacement (181) (\$12,697,993 collected for Infrastructure Replacement)	10,026,744
IMF (182)	1,259,057
PCE/TCE Settlements	14,153,129
PCE/TCE Rates (185)	5,045,569
Total	23,016,457

Water/Wastewater Utility Accomplishments

- Completed 2nd Phase of the Water Meter Retrofit Program
- Produced 5.64 Billion Gallons of Great Tasting Water
- Completed Well No. 28
- Phase III Improvements
- Rehabilitated Domestic Outfall Sewer
- Cleaned 64 miles of wastewater main

Questions???



Electric Utility Department

FY08 Quarterly Update

(Through June 30, 2008)

City Council Shirtsleeve Session
September 9, 2008



Overview

- Power Costs consistent with budget
- Non-power Costs decreased ~\$950K
- Revenues up about \$3.9M
- NCPA Cash Reserve (GOR) up \$1.7M
- FY09 power supply is 96% hedged
- Revenues include a one-time receipt of \$3.25M from Roseville CT1 transaction
- Overall increase in cash is about **\$6.2M**



FY08 Financial Results

Revenue	Budget	Actuals	% of Budget
Sales Revenues	70,072,930	69,284,341	98.9%
Other Revenues	1,528,192	6,219,689	407.0%
Total Revenues	71,601,122	75,504,030	105.5%
Expenses			
Purchase Power	42,333,517	42,675,243	100.8%
Non Power	11,649,177	10,705,397	91.9%
Total Expenses	53,982,694	53,380,640	98.9%
Net Revenue for Debt Service	17,618,428	22,123,390	125.6%
Debt Service	8,971,488	8,886,514	99.1%
Net Revenue	8,646,940	13,236,876	153.1%
In-lieu Transfer to General Fund	6,873,228	6,873,228	100.0%
Lodi Energy Center Development Costs		1,882,353	
Net Increase (Decrease) in Working Capital	1,773,712	4,481,295	252.7%
Beginning Cash Balance	5,162,285	5,162,285	
Changes in NCPA Cash Reserve	-	1,696,044	
Ending Cash Balance	6,935,997	11,339,624	



Operating Expenditures

	FY08 Budget	Actual	% Budget
Personnel	5,967,359	5,565,588	93%
Supplies, Materials, Services	146,535	69,191	47%
Equipment, Land, Structures	1,427,866	1,611,385	113%
Communication & Transportation	585,685	299,203	51%
Other	729,340	871,904	120%
Total Operating Expenses	8,856,784	8,417,270	95.0%



Power Supply

	Estimated	Actual	Change
Generation	\$ 35,982,191	\$ 39,375,807	\$ 3,393,616
Transmission	\$ 5,322,939	\$ 5,939,893	\$ 616,954
Management Services	\$ 2,371,387	\$ 2,422,076	\$ 50,689
Third Party Revenue	\$ (1,342,999)	\$ (5,329,948)	\$ (3,986,949)
Other		\$ 267,415	
TOTAL	\$ 42,333,517	\$ 42,675,243	\$ 341,726



Power Sales

	YTD Projections	YTD Actuals	% Difference
kWh	471,104,356	450,407,709	-4.4%
Revenue	\$ 70,072,930	\$ 69,284,341	-1.1%

	Year	HDD	Normal	CDD	Normal
July	2007	0	0	412	390
August	2007	0	0	428	363
September	2007	12	5	201	247
October	2007	68	76	23	73
November	2007	255	348	0	0
December	2007	592	609	0	0
January	2008	587	592	0	0
February	2008	439	403	0	0
March	2008	337	313	0	0
April	2008	202	169	24	18
May	2008	31	54	115	111
June	2008	0	6	273	254
Q1-Q3 Totals		2523	2575	1476	1456



Billing Statistics

Projected			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	163,328,001	\$ 28,094,997	\$ 0.1720
Small Commercial	172,808,479	\$ 27,077,435	\$ 0.1567
Large Commercial/Small Industrial	36,771,106	\$ 5,082,250	\$ 0.1382
Industrial	98,196,770	\$ 9,818,248	\$ 0.1000
TOTAL	471,104,356	70,072,930	\$ 0.1487

Actual			
Customer Class	kWh Sales	Revenue	Average Rate
Residential	153,563,188	\$ 27,215,694	\$ 0.1772
Small Commercial	167,414,583	\$ 27,402,047	\$ 0.1637
Large Commercial/Small Industrial	34,848,117	\$ 4,971,640	\$ 0.1427
Industrial	94,581,821	\$ 9,694,960	\$ 0.1025
TOTAL	450,407,709	\$ 69,284,341	\$ 0.1538



ECA Revenue

Customer Class	Q1	Q2	Q3	Q4	Total
Residential	(159,594)	545,871	783,649	243,631	1,413,556
Small Commercial	(165,623)	586,856	808,793	313,818	1,543,844
Large Commercial/Small Industrial	(38,987)	130,455	162,325	57,145	310,938
Industrial	(100,489)	392,355	454,702	162,340	908,907
Total ECA Revenue	(464,693)	1,655,537	2,209,468	776,933	4,177,245



NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
 - \$4,790,663 (June 30, 2007)
 - \$6,486,707 (June 30, 2008)
- **FY07 true-up of \$847,000**
- **Geothermal Ins Recovery of \$384,000**

\$1,696,044 Increase

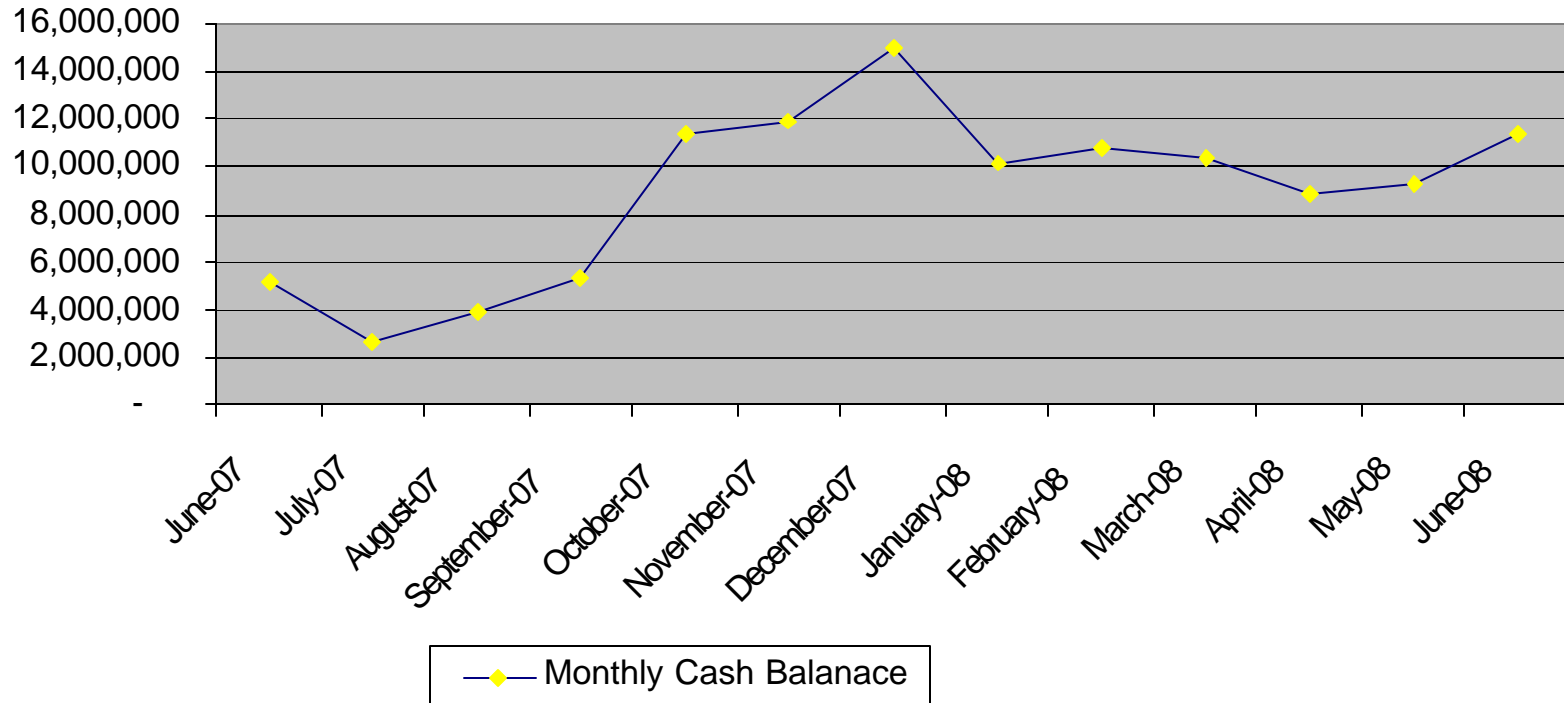


FY09 “Open Position”

	Lodi Total Surplus/(Deficit)	Load	% of Load	Lodi HLH Surplus/(Deficit)	Load	% of Load	Lodi LLH Surplus/(Deficit)	Load	% of Load
July 2008	0	50,349	0.0%	-	32,631	0.0%	-	17,718	0.0%
August	0	50,833	0.0%	-	32,735	0.0%	-	18,099	0.0%
September	3,767	42,198	8.9%	2,146	27,096	7.9%	1,620	15,102	10.7%
October	2,183	38,554	5.7%	1,433	25,226	5.7%	749	13,328	5.6%
November	781	35,835	2.2%	547	21,857	2.5%	234	13,979	1.7%
December	1,671	38,210	4.4%	685	24,311	2.8%	985	13,899	7.1%
Jan 2008	1,266	38,403	3.3%	509	24,311	2.1%	757	14,092	5.4%
February	2,052	33,447	6.1%	2,157	21,612	10.0%	(104)	11,835	-0.9%
March	11,680	36,080	32.4%	10,815	22,918	47.2%	864	13,163	6.6%
April	5,337	36,489	14.6%	5,266	23,778	22.1%	71	12,711	0.6%
May	4,354	39,431	11.0%	3,900	24,509	15.9%	454	14,922	3.0%
June	2,499	43,776	5.7%	2,497	29,430	8.5%	2	14,346	0.0%
FY Total	35,590	483,606	7.4%	29,957	310,412	9.7%	5,633	173,194	3.3%
Bal Yr Total	35,590	382,424	9.3%	29,957	245,046	12.2%	5,633	137,378	4.1%



Cash Balance





Summary

- Power Costs consistent with budget
- Non-power Costs decreased ~\$950K
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